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Colombia

Cotton and Products

Annual

2004

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Report Highlights:

Exports of textiles and garments continue to grow due to Andean Trade Preferences for duty free access to the U.S. market. New cotton areas are entering in production and biotech cotton is being planted for the second consecutive year. The GOC continues to maintain minimum guaranteed price for growers. The requirement to purchase local production was replaced by a tariff-rate quota system, where importers buying local production are allowed to import at a lower duty.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Duty free access for textiles and garments to the U.S. market under the Andean Trade Benefits Act (ATPDEA) boosted Colombia's cotton demand. The increased consumption is being filled by both higher domestic production and higher imports. Colombian production is rising rapidly and it is expected to grow to 48,700 tons in the 2003/04 marketing year. Increased planted area, good weather conditions and use of biotech seeds have helped this trend. Imports are expected to increase, although less rapidly than production, to 62,600 metric tons in 2003/2004. Cotton imports from the U.S. increased 14 percent to 43,323 metric tons in calendar 2003. Colombia mainly imports short length fiber from the U.S., which is not produced locally. The GOC is strongly encouraging cotton production by guaranteeing a minimum price paid to growers and has added a guarantee for producers against appreciation of the peso. The mandatory requirement for importers to purchase local production (absorption mechanism) was replaced by a new tariff-rate quota system (importers who purchase local production are charged a lower import duty).

Production

Colombia's cotton production is estimated at 48,700 tons in 2003/04 year up 15,000 tons, 47 percent, from 2002/03 marketing year. A further increase of seven percent is forecast for the 2004/05 marketing year. The large increase in production is mainly due to an increase in planted area during the 2003/04 marketing year of 13,000 hectares. In addition to the new area planted, good weather conditions prevailed during the first harvest. The reduction in the number of pesticide applications to around 5 during the first semester crop was down from the normal average of 10 to 12, which helped increased profits for growers. The use of BT biotech seed is expanding, with an estimated 5,000 hectares planted with BT seed. Government price guarantees, rising international prices and the large devaluation of the Colombian peso in 2002 have been a large factor in the increase in area.

Consumption

Cotton consumption is expected to increase in the 2003/04 marketing year by 14 percent to 110,950 metric tons and we expect in 2004/05 an additional increase of 9 percent to 120,950 metric tons.

The expansion of the textile industry triggered by duty free access to the U.S. market for garments and textiles under the Andean trade preferences (ATPDEA) has resulted in a larger cotton demand. The high quality of Colombian products and the well developed garment industry give Colombia a competitive advantage among other Central and South American countries. The U.S. companies have also started direct investments in Colombia, with the first joint venture starting at the second half of 2004.

Trade

Cotton imports reached 59,460 metric tons in the 2002/03 marketing year, 6.9 percent higher than year before. Imports are expected to increase to 62,600 metric tons in 2003/2004 and a further 11.8 percent in 2004/05 marketing year. During the period of January-March 2004 Colombia has imported 11,455 metric tons of cotton.

The U.S. market share has been growing due to high quality and the preference for short fiber cotton not available from other sources. Colombia is a large producer of denim, which uses the short fiber cotton imported from U.S. Cotton from U.S. has the additional advantage for Colombian textile industry of having lower freight costs due to the proximity with the U.S.

Colombia exports to U.S. of textile and garments rose from \$ 293.2 million in 2002 to \$449.0 million in 2003. The large increase is due to the ATPDEA trade preferences. Imports of

textiles and garments from U.S. have also increased (with much of this representing textiles for garments targeted at the U.S. market). In 2003, Colombia imported \$ 229.1 million from the U.S., an increase of 36 percent from 2002.

Stocks

Stocks are calculated at 12,596 metric tons for the end of the 2003/04 marketing year. This amount represents one and a half months of industry needs, which is considered adequate. Stock levels generally fluctuate between one and two months of consumption.

Policy

The Colombian government guaranteed an exchange rate of 2,750 Colombian pesos per U.S. dollar for local crop purchases during year 2004. In effect, the price paid to producers is guaranteed against the impact of the appreciation of the peso against the U.S. dollar (currently the exchange rate is 2,670 pesos per dollar). For the first semester of 2004, the minimum price paid to growers was set at \$1,604 per ton.

The Colombian government has also encouraged cotton production by supporting new planting areas through the government financial institution FINAGRO, which gives loans at low rates for associated growers.

The requirement to purchase local production in order to be allowed to import was eliminated on December 31 2003. In its place, the Colombian Government has established a new system to provide duty reductions (from the general duty of 10 percent) for importers who purchase local production.

Tables

Colombia: Cotton PSD, 2002/03-2004/05

(Hectares and Metric Tons)

Colombia							
Cotton							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		08/2002		08/2003		08/2004	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	51000	50900	55000	63000	0	66000	(HECTARES)
Beginning Stocks	17636	17636	23079	12596	23079	12946	(MT)
Production	30482	33150	33748	48700	0	51900	(MT)
Imports	59875	59460	59875	62600	0	70000	(MT)
TOTAL SUPPLY	107993	110246	116702	123896	23079	134846	(MT)
Exports	0	0	0	0	0	0	(MT)
USE Dom. Consumption	83825	96700	92534	110000	0	120000	(MT)
Loss Dom. Consumption	1089	950	1089	950	0	950	(MT)
TOTAL Dom. Consumption	84914	97650	93623	110950	0	120950	(MT)
Ending Stocks	23079	12596	23079	12946	0	13896	(MT)
TOTAL DISTRIBUTION	107993	110246	116702	123896	0	134846	(MT)

Colombia: Cotton Exports, 2003

Export Trade Matrix Colombia Cotton			
Time Period	Jan-Dec	Units:	MT
Exports for:	2003		2004
U.S.	24	U.S.	
Others		Others	
Venezuela	252		
Total for Others	252		0
Others not Listed	167		
Grand Total	443		0

Source: DIAN (Revenue and Customs Agency)

Colombia: Cotton Imports, 2003

Import Trade Matrix Country Colombia			
Cotton			
Time Period	Jan-Dec	Units:	
Imports for:	2003		2004
U.S.	43323	U.S.	
Others		Others	
Burkina Faso	11630		
Brazil	5540		
Australia	1313		
España	806		
Total for Others	19289		0
Others not Listed	1944		
Grand Total	64556		0

Source: DIAN (Revenue and Customs Agency)

Colombia: Cotton Price to Growers, 2003 - 2004

Prices Table Colombia Cotton			
Prices in	Col pesos (,000)	per uom	Metric ton
Year	2003	2004	% Change
Jan	3715	4821	30%
Feb	3898	4886	25%
Mar	4084	4651	14%
Apr	4250	4483	5%
May	4113		-100%
Jun	3867		-100%
Jul	3918		-100%
Aug	4017		-100%
Sep	3998		-100%
Oct	4397		-100%
Nov	5121		-100%
Dec	5019		-100%
Exchange Rate	2614	Local Currency/ US \$	2630
Date of Quote	4/26/2004	MM/DD/Y YYY	

Price to grower for SLM cotton grade.